

# Budget Brief – Office of State Debt Collection (ISF)

NUMBER CFAS-05-16

## SUMMARY

The Office of State Debt Collection (OSDC) was established in 1995. The division's primary responsibility is to contract with private vendors to assist in collection of outstanding debt.

In reality, OSDC operates differently than other Internal Service Fund agencies. Other ISFs provide general services to other state agencies; the OSDC collects past due bills for other agencies, but their funding is from debtors rather than customer agencies.

## ACCOUNTABILITY DETAIL

The OSDC is designed to funnel past-due receivables back to the General Fund. As such, it should keep only enough funds from collections to cover operating costs. When the program was new, it built up sufficient retained earnings that the Legislature appropriated them as one-time funds to various state needs. The Legislature has the option of appropriating retained earnings directly to the General Fund or to one-time needs across the state.

### OSDC Retained Earnings

FY 1999	\$195,000
FY 2000	\$424,800
FY 2001	\$600,300
FY 2002	\$639,800
FY 2003	\$206,000
FY 2004	\$236,100
FY 2005 Est	\$236,100

### Annual Report

The Office of State Debt Collection reports performance measures in its Annual Report. A copy of the report is enclosed.

Figure 1: ISF - Administrative Services - ISF - Office of State Debt Collection - Budget History

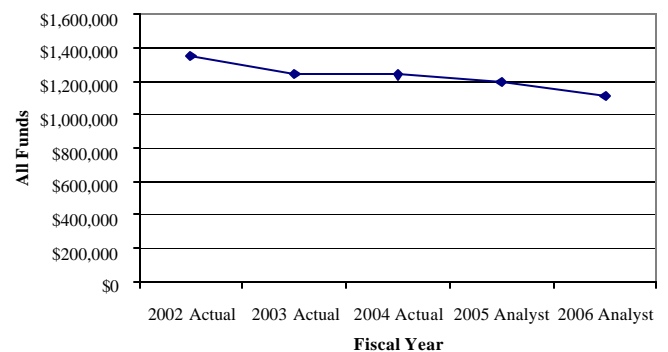


Figure 2: ISF - Administrative Services - ISF - Office of State Debt Collection - FTE History

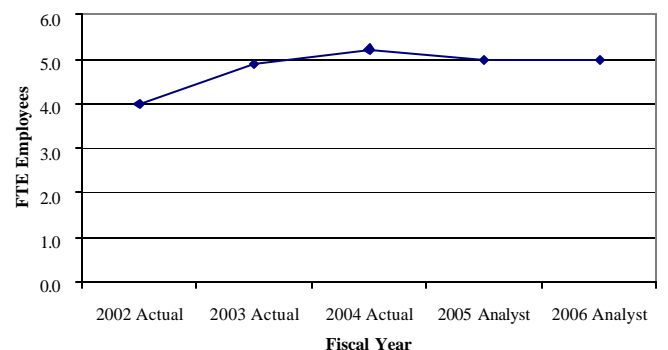
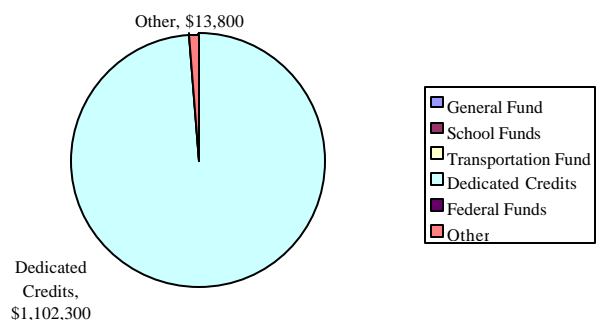
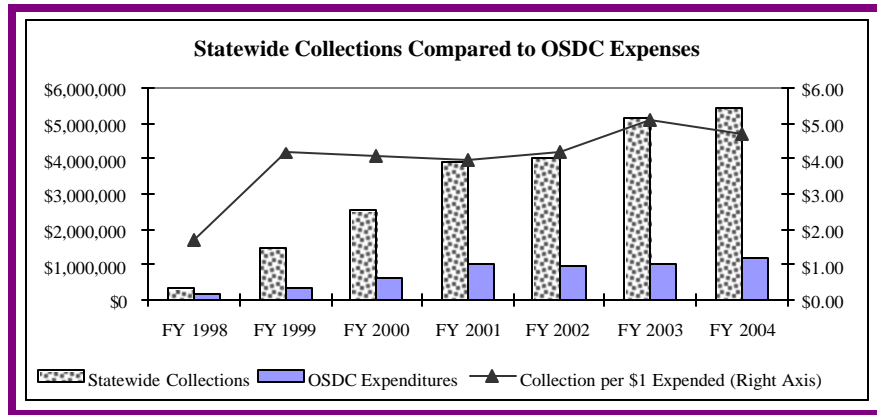


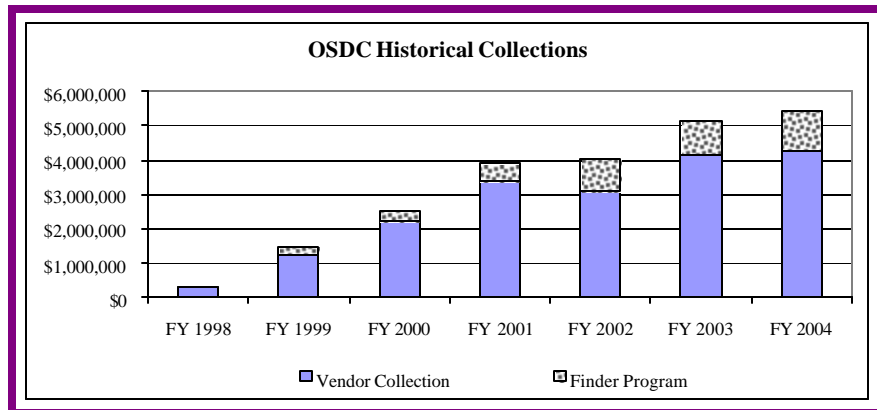
Figure 3: ISF - Administrative Services - ISF - Office of State Debt Collection - FY 2006 Funding Mix



*Collections Compared to Expenses*

Expansion of private sector contracts has allowed the office to increase collections without significantly increasing costs.

Collections include all outsourced collections on delinquent accounts statewide. For example, of the \$5.4 million collected in FY 2004, \$2.9 million was collected by Tax Commission efforts. Agencies report collection numbers to OSDC. There is no direct correlation between OSDC's expenses and actual statewide collections; however, the above chart compares OSDC's expense growth rate to the statewide collections growth rate. Ideally, statewide collections per \$1 expended by OSDC should remain flat or increase annually.

*Source of Collections*

Collections from vendor collections and the Finder Program are both increasing annually.

**BUDGET DETAIL**

Revenue is generated for the program by assessing an administrative fee against each collection. No tax funds are appropriated to this program. Since revenues do not come from customer agencies, this budget does not include “intra-governmental revenue” as most ISF budgets do.

***Budget Recommendation for FY 2006:***

- Estimated revenues of \$1,116,100
- Rates as presented in Issue Brief CFAS-05-07
- 5.0 FTE
- No Authorized Capital Outlay

***Intent Language***

The Analyst recommends continuing the following intent language from prior sessions. However, since this appears to be worthy of statute or administrative rule, the Analyst recommends this be the final year of inclusion and that the agency find a way to make the language permanent.

*It is the intent of the Legislature that the Office of State Debt Collection be authorized to establish reasonable costs of collection to be passed onto the debtor including attorney fees, all legal costs and administrative costs unless inappropriate or prohibited by law.*

**LEGISLATIVE ACTION**

This section is a summary of what actions might be taken if the Legislature wishes to adopt the recommendations of this brief. The Analyst recommends the Legislature consider adopting:

1. Estimated revenues of \$1,116,100
2. Rates as presented in Issue Brief CFAS-05-07
3. 5.0 FTE
4. No Authorized Capital Outlay
5. Intent language as shown above

**BUDGET DETAIL TABLE****ISF - Administrative Services - ISF - Office of State Debt Collection**

<b>Sources of Finance</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Appropriated</b>	<b>Changes</b>	<b>FY 2005 Revised</b>	<b>Changes</b>	<b>FY 2006 Analyst*</b>
Dedicated Credits Revenue	668,300	367,000	265,200	632,200	(82,500)	549,700
Licenses/Fees	21,800	168,000	(168,000)	0	0	0
Interest Income	550,900	661,000	(108,900)	552,100	500	552,600
Other Financing Sources	(800)	2,100	11,700	13,800	0	13,800
<b>Total</b>	<b>\$1,240,200</b>	<b>\$1,198,100</b>	<b>\$0</b>	<b>\$1,198,100</b>	<b>(\$82,000)</b>	<b>\$1,116,100</b>
<b>Programs</b>						
ISF - Debt Collection	1,240,200	1,198,100	0	1,198,100	(82,000)	1,116,100
<b>Total</b>	<b>\$1,240,200</b>	<b>\$1,198,100</b>	<b>\$0</b>	<b>\$1,198,100</b>	<b>(\$82,000)</b>	<b>\$1,116,100</b>
<b>Categories of Expenditure</b>						
Personal Services	339,400	327,000	16,200	343,200	(9,300)	333,900
In-State Travel	200	100	100	200	0	200
Current Expense	378,900	323,000	74,700	397,700	(86,900)	310,800
DP Current Expense	9,800	17,600	1,800	19,400	1,200	20,600
Other Charges/Pass Thru	431,700	437,500	100	437,600	13,000	450,600
Operating Transfers	50,000	0	0	0	0	0
<b>Total</b>	<b>\$1,210,000</b>	<b>\$1,105,200</b>	<b>\$92,900</b>	<b>\$1,198,100</b>	<b>(\$82,000)</b>	<b>\$1,116,100</b>
<b>Profit/(Loss)</b>	<b>\$30,200</b>	<b>\$92,900</b>	<b>(\$92,900)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Data</b>						
Total FTE	5.2	5.0	0.0	5.0	0.0	5.0
Retained Earnings	236,100	395,400	(159,300)	236,100	0	236,100

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.